BRIEF IN SUPPORT OF PETITION FOR CERTIORARI

I

The decision of the Second Circuit Court of Appeals in this case is in conflict with decisions in other circuit courts.

The conflict, not only among the decisions of the Circuit Court of Appeals for the Second Circuit, but between the decisions of that court with the decisions of courts of other circuits, has already been referred to in the petition. The decisions of this Court are in conflict with at least those of the sixth and seventh circuits.

Thus, in *E. Edelmann and Company* v. *Triple-A Specialty Co.*, 88 Fed. (2) 852, decided February 17, 1937, the Circuit Court of Appeals for the Seventh Circuit was presented with an action for declaratory judgment to determine the validity of a patent. There was no diversity of citizenship. There was joined with the action for declaratory judgment a charge of unfair competition for circulation of wrongful charges of infringement. The defendant contended that since there was no diversity, there was no jurisdiction with respect to the charge of unfair competition. The Court, however, retained jurisdiction of the charge of unfair competition and stated at page 854:

> "Appellant urges, however, that the prayer for damages because of circulation of charges of infringement among dealers and potential customers, stamps appellee's suit as one to enforce a common law remedy, namely: recovery of damages for unfair competition. If this were the only end sought and the jurisdiction of the court invoked to secure only that relief, the contention would necessarily prevail. But appellant relies upon two remedies, first, the determination of whether the patent is valid and infringed, and second, if either of these questions is answered in the negative,

> whether it is also entitled to damages for violation of its common law rights arising out of the same facts, plus the additional fact that appellant has wrongfully circulated among the trade, false charges of infringement. The relief sought upon the second branch is upon a footing entirely apart from that prayed upon the first. Appellee included as a basis for one sort of relief, facts pertinent only under the patent laws of the United States, over cases arising under which the federal courts have exclusive jurisdiction. It included also a prayer for another sort of relief of which any state court might have jurisdiction, and which, the federal court in the absence of other basis for jurisdiction, might not entertain except in case of diversity of citizenship."

The Court, after having taken note of the fact that the charge for violation of common law rights arose out of the same facts "plus the additional fact that appellant has wrongfully circulated among the trade, false charges of infringement", applied the *Hurn* v. *Oursler* case to the facts before it and ruled as follows:

> "Under Hurn v. Oursler, 289 U. S. 238, the court was endowed with jurisdiction also to determine the issues as to fair competition."

Thus, this decision of the Seventh Circuit is in direct conflict with the decision in the present case (see pages 10 and 11 of this brief) and with the view generally held by the Second Circuit Court of Appeals.

In *Atkins* v. *Gordon*, 86 Fed. (2) 595, decided by the Seventh Circuit Court of Appeals, November 30, 1936, there again was no diversity of citizenship. A cause of action for infringement was joined with a cause of action for damages for the use of unfair trade methods. Although the Court in that case held against the plaintiff, it refused jurisdiction of the unfair trade methods charge solely on the basis of the invalidity of the patent and stated definitely in the last paragraph of the decision that with respect to the charge of the use of unfair trade methods,

> "the Federal court's jurisdiction is dependent upon appellee's sustaining the patent infringement charge of the complaint."

Here again the view of the Seventh Circuit Court of Appeals in contrary to that of the Second Circuit.

In *Hemmeter Cigar Co.* v. *Congress Cigar Company, Inc.,* 118 Fed. (2) 64, decided March 14, 1941, in the Circuit Court of Appeals for the Sixth Circuit, the Circuit Court of Appeals in that circuit, in an action for trade-mark infringement, retained jurisdiction to decide on the merits the right of the plaintiff to recover for intrastate sales of articles bearing the plaintiff's trade mark. The Court here again applied the doctrine of *Hurn* v. *Oursler* and stated at page 68:

> "Appellee submits that because the distribution of 'Portina Champs' was exclusively intrastate, appellant has no cause of action for trade mark infringement. The question seems academic, for the reason that in Hurn v. Oursler, 289 U. S. 238 (17 U. S. P. Q. 195), where a claim of copyright infringement was embraced in the same bill with a claim for unfair competition under state law, both claims being based on the same acts, the Supreme Court held that, although the federal copyright claim must be rejected on its merits, the federal court still had jurisdiction to decide the unfair competition claim on its merits, because a federal question had been raised on the pleadings.
>
> The same situation is found here."

The Court retained jurisdiction.

Thus in the *Edelmann* case the Court found that even where additional facts were needed for the non-federal claim, jurisdiction may be retained; whereas in the present case the Court, merely because it supposes that additional facts may be necessary, denies jurisdiction.

Both cases support their respective positions by the *Hurn* v. *Oursler* case.

In the *Atkins* case the Court made jurisdiction of the non-federal claim dependent on the success of the federal

claim, thus disagreeing with the present case and even with the *Edelmann* and *Hemmeter* cases.

In the *Hemmeter* case the Court retained jurisdiction of the claim involving intrastate sales, even though the federal claim could involve only interstate sales, disagreeing both with the view of the *Atkins* case and with that of the present case.

Thus the foregoing cases show that there is direct conflict among the decisions in the various circuits and that it is of importance that the conflict be resolved.

II

A dismissal of the apparently non-federal claim for relief (joined with a federal claim) before trial on the basis of mere supposition as to the proof required therefor deprives the Court of even the right to determine whether it has jurisdiction of the claim.

The majority decision of the Court of Appeals for the Second Circuit, in discussing the petitioner's claim for relief for defendants' (respondents) fraudulent misuse of interference proceedings, states (Rec. pp. 103-104):

> "So here, disregarding the time factor as such, we find it impossible to hold that the 'substantially identical proof' test can yield federal jurisdiction here, in the light of the denial of such jurisdiction as to the third claim in the Oursler case. A much closer relationship was present there between the facts supporting (a) the first claim for violation of the copyright and (b) the third claim for wrongful acts as to the uncopyrighted version than is present here between the facts necessary to support (a) the claim for infringement of the patent and (b) that for the defendant's alleged misconduct in delaying the issuance of the patents. This, indeed, is an a fortiori case. For, while proof of some parts of the Patent Office history might conceivably be pertinent, in some circumstances, in the trial of the patent infringement, such proof would not

> by any means cover the bulk of the evidence which the plaintiff would be obliged to introduce in order to show the alleged misconduct of the defendant during the pendency of the patent application in the Patent Office."

This, of course, is supposition on the part of the Court. The Court below, continuing, concedes that (Rec. p. 104):

> "It may perhaps be true that, to sustain his second as well as his first claim, plaintiff here would be required to prove the validity of his patent and, for that purpose, to introduce evidence of novelty as against the prior art."

The Court then asserts (Rec. p. 104) entirely on supposition:

> "But to sustain his second (non-federal claim) (fol. 109) he would need, as his pleadings demonstrate, to go far beyond that and to make proof of many substantial additional facts not relevant to the first claim."

Finally, the Court below gives some examples of the kind of "additional" facts it supposes will require additional proof not part of the claim for infringement (Rec. p. 104):

> "He would need to prove that the defendants had filed patent applications based on their false oaths; that plaintiff had previously disclosed his inventions to them and they had previously seen and tested the commercial embodiments of his inventions; and that in interference proceedings with plaintiff they had testified falsely and induced false testimony to be given."

It has frequently been held that the interference record is admissible in an infringement record on the issue of patentability (see, for example, *Warren Telechron Company* v. *Waltham Watch Company* [C. C. A. 1], 91 F. [2] 472).

Petitioner asserts that the interference record which is thus admissible proves all of the facts which the Court below suggests that petitioner must prove to sustain the claim for misuse of interference proceedings—and more,

the interference record is the only evidence that need be relied on to prove the entire claim.

In the face of this assertion, which for purpose of this argument can be taken as a supposition by a party familiar with the facts and willing to be bound by the assertion, can we fairly rely on a supposition of a Court which does not have testimony before it and thus cannot be familiar with the facts?

Having adopted this restrictive point of view based entirely on supposition as to what the evidence will be, it cites *Hurn* v. *Oursler* as authority and states (Rec. p. 104):

> "From the point of view of convenience to plaintiffs and 'judicial economy,' there is indeed much to be said in favor of the proposal generously to extend the Oursler doctrine. But this court cannot indulge in such generosity until the Supreme Court authorizes us to do so."

In the *Hurn* v. *Oursler* case there was no need to guess or suppose what the facts would be, nor does there seem to be authority in that case for such a guess or supposition before trial.

When the issue of whether facts to prove one claim are the same as or include the facts to prove the other claim is the issue on which jurisdiction is based, can jurisdiction be denied on supposition alone?

Does not this vitiate the *Hurn* v. *Oursler* rule?

How can the Court even determine whether or not it has jurisdiction when its jurisdiction is based on facts which it will not hear?

III

The appropriate application of the *Hurn* v. *Oursler* rule requires that the action be permitted to reach trial on both claims; with judicial economy and a due regard for the limits of federal jurisdiction being maintained by a refusal to admit any testimony which does not tend toward establishing the purely federal claim.

Since the issue of jurisdiction is thus one of fact, fairness to all parties and true judicial economy is achieved by permitting the case to go to trial in such a manner that plaintiff may, if he is entitled to it jurisdictionally and on the merits, obtain full relief and so that defendant need not be harassed unnecessarily by preparation for matter which does not bear on the purely federal question.

The trial court is competent during the trial to exclude evidence which does not tend to prove the purely federal claim. At the conclusion of the case, three alternative decisions are possible, as in any case:

A. If none of the evidence at all which has been received in support of the federal claim supports the non-federal claim, then the court should dismiss for lack of jurisdiction.

B. If the evidence which proves the federal claim *tends* toward proving the non-federal claim but does not fully prove the latter claim, then the court may dismiss on the merits.

C. If, of course, the evidence received on the federal claim does prove the non-federal claim, then the court may grant complete relief without burdening the defendant unnecessarily or removing from the state court any of its prerogatives.

The defendant is fully protected:

If no evidence is offered at any trial with respect to a claim for relief, the dismissal of that claim is almost invariably not on the merits (equivalent to alternative A above).

If the evidence received on the federal claim tends to prove the apparently non-federal claim but does not fully do so, the dismissal on the merits (alternative B above) protects defendant for this claim is then res adjudicata.

However, if the evidence received on the purely federal claim establishes the apparently non-federal claim, then the *Hurn* v. *Oursler* doctrine is applicable, jurisdiction is complete, full relief is obtained in a single action and judicial economy is served.

IV

The Federal Court has jurisdiction since the apparently non-federal claim in this case is clearly ancillary to the federal claim and capable of proof by the very proof which tends toward establishing the federal claim.

The character of proof which is necessary to establish the apparently non-federal claim and the fact that it is the same proof which will establish the purely federal claim has already been discussed.

The decisions of this Court in *Hurn* v. *Oursler*, as well as in *Osborn* v. *U. S. Bank*, 9 Wheat. 738, 823 (referred to on page 15 of this brief), show that the Federal Court takes jurisdiction on two grounds:

1. Under the statute.

2. Under a long recognized right of the Court to hear and decide even non-federal matters ancillary to the statutory issue in order to arrive at a just final decision between the parties, this practice going so far as to allow the defendant to set up any counterclaim whether arising out

of the subject matter of the statutory issue or not, in order to arrive at a just final settlement of any and all controversies between plaintiff and defendant.

This is a recognition that the Court once empowered to act on a statutory matter cannot be tied down to making an unjust or incomplete decision by a failure to give it statutory authority to hear and consider other non-statutory matters which would alter the unjust decision and enable the Court to do final justice between the parties.

It seems that the Second Circuit is putting too limited a definition on what is a non-federal issue ancillary to the main issue. The opinions of the Second Circuit seem to indicate that the non-federal issue can be ancillary to the statutory issue not alone by the fact that it is established wholly by the testimony directed at the statutory issue, but also that it must be spelled out directly from the allegations that only such testimony can be used.

This seems too narrow a distinction if the theory of "judicial economy" amounts to anything. It disregards the aim of reaching a final just decision of all issues between the parties, recognized by allowing a defendant to counterclaim on any issue, whether statutory or non-federal or whatever it may be.

We have examined all the cases we could find dealing with a federal court's jurisdiction of a non-federal claim joined with a federal claim. In every instance the issue was decided on whether all the facts as established at the trial in support of the non-federal claim were substantially the same as those used in proving the federal claim.

Starting with *Hurn* v. *Oursler*, 289 U. S. 238, and all the cases therein cited, it appears that this measure of facts as established at a trial was the criterion in determining jurisdiction of the non-federal claim.

All of these determinations could properly have been made only because a trial had been had.

There is no constitutional restriction on this view; thus, in the *Hurn* v. *Oursler* case this Court said at page 238:

> "As early as Osborn v. U. S. Bank, 9 Wheat. 738, 823, Chief Justice Marshall, speaking for the Court, said:
>
> 'We think, then, that when a question to which the judicial power of the Union is extended by the constitution, forms an ingredient of the original cause, it is in the power of Congress to give the Circuit Courts jurisdiction of that cause, although other questions of fact or of law may be involved in it.'"

Here, Judge Marshall admitted even "other questions of fact".

Nor is there any statutory restriction on this view. Thus this Court, in order to facilitate the administration of justice and the complete determination of all issues between parties, has in the "Rules of Civil Procedure" (Rule 13) set forth criteria for the introduction of counterclaims which do not require that the counterclaim raise a federal question (especially Rule 13b); and jurisdiction of the non-federal counterclaim remains even though the complaint on the federal question is dismissed (see, for instance, *Moore* v. *N. Y. Cotton Exchange*, 270 U. S. 593, 607-610, decided even before the present more liberal Rules of Civil Procedure were promulgated).

V

Federal jurisdiction in this case is consistent with statute, the *Hurn* v. *Oursler* doctrine, and does not diminish or intrude upon the realm of jurisdiction of the state courts.

It is urged here that jurisdiction be taken entirely within the doctrine of *Hurn* v. *Oursler:* that the proof offered to establish the apparently non-federal claim be limited only

to proof tending to establish the purely federal claim. With this limitation, no invasion of the area of State Court jurisdiction is contemplated since no additional facts outside those which tend to establish the federal claim can be received.

VI

Statutes Involved.

Sec. 24—Judicial Code (Title 28, U. S. C., Sec. 41):

> The district court shall have original jurisdiction as follows:
>
> * * * * * * *
>
> Seventh: Of all suits at law or in equity arising under the patent, the copyright and the trade-mark laws.

Sec. 256—Judicial Code (Title 28, U. S. C., Sec. 371):

> The jurisdiction vested in the courts of the United States in the cases and proceedings hereinafter mentioned, shall be exclusive of the courts of the several States:
>
> * * * * * * *
>
> Fifth: Of all cases arising under the patent-right, or copyright laws of the United States.

Sec. 4904—Revised Statutes (Title 35, U. S. C., Sec. 52):

> Whenever an application is made for a patent which, in the opinion of the commissioner, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applicants, or applicant and patentee, as the case may be, and shall direct the primary examiner to proceed to determine the question of priority of invention. And the commissioner may issue a patent to the party who is adjudged the prior inventor, unless the adverse party appeals from the decision of the primary examiner, within such time, not less than twenty days, as the commissioner shall prescribe.

Sec. 4899—Revised Statutes (Title 35, U. S. C., Sec. 48):

> Every person who purchases of the inventor or discoverer, or, with his knowledge and consent, constructs any newly invented or discovered machine, or other patentable article, prior to the application by the inventor or discoverer for a patent, or who sells or uses one so constructed, shall have the right to use, and vend to others to be used, the specific thing so made or purchased, without liability therefor.

VII

Conclusion

It is respectfully submitted that the writ of certiorari prayed for be granted and that the decision of the Circuit Court of Appeals and of the District Court be reversed with costs.

Respectfully submitted,

SAMUEL OSTROLENK,
Solicitor for Petitioner.

SIDNEY G. FABER,
MITFORD C. MASSIE,
of Counsel.